SESSION OF 2020

SUPPLEMENTAL NOTE ON SENATE BILL NO. 174

As Amended by Senate Committee on Assessment and Taxation

Brief*

SB 174, as amended, would increase the level of federal adjusted gross income (FAGI) at which Social Security benefits become taxable for married taxpayers filing joint returns from $75,000 to $100,000.

Background

The bill was introduced by the Senate Committee on Federal and State Affairs at the request of Senator Pyle. In the Senate Committee on Assessment and Taxation hearing on March 12, 2019, Senator Pyle testified as a proponent stating the bill would make Kansas a more friendly tax environment for retirees and could reduce out-migration of Kansas retirees.

The Senate Committee amended the bill to change the elimination of income tax on Social Security benefits in the bill as introduced, to an increase in the threshold of FAGI for married taxpayers filing jointly before Social Security benefits become subject to the Kansas income tax, to change the effective tax year from 2019 to 2020, and to update an outdated statutory reference.

The fiscal note prepared by the Division of the Budget on the bill as introduced, states the Department of Revenue (Department) estimates the bill would decrease State

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org
revenues by $93.2 million in FY 2020, $95.5 million in FY 2021, and $97.8 million in FY 2022.

On February 25, 2020, the Department provided a revised fiscal estimate on the bill, as amended by the Senate Committee. The Department estimates the bill would decrease State revenues by $33.1 million in FY 2021, $26.3 million in FY 2022, and $27.0 million in FY 2023. Any fiscal effect associated with enactment of the bill is not included in The FY 2021 Governor’s Budget Report.